

Message Text

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PAGE 01 CALGAR 00226 200010Z
ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-02 INR-10 INT-05
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FM AMCONSUL CALGARY
TO SECSTATE WASHDC PRIORITY 2385
INFO ZEN RUEHOT/AMEMBASSY OTTAWA PRIORITY 1474
AMCONSUL TORONTO

UNCLAS CALGARY 0226

E.O. 11652: NA
TAGS: ENRG, CA
SUBJ: TRANSCANADA PIPELINES WITHDRAWS FROM ALCAN PROJECT

REF: CALGARY 0191

1. FOOTHILLS PIPE LINES (YUKON) LTD. (ALBERTA GAS TRUNK
LINE AND WESTCOAST TRANSMISSION LTD. OF B.C.) AND TRANS-
CANADA PIPELINES LTD. ISSUED JOINT STATEMENT APRIL 18
ANNOUNCING THAT THE TWO COMPANIES HAD BEEN UNABLE TO AGREE
ON TERMS UNDER WHICH TRANSCANADA WOULD ACQUIRE AN INTEREST
IN FOOTHILLS PIPE LINES (YUKON), THE CONSORTIUM WHICH PLANS
TO BUILD CANADIAN SECTION OF ALASKAN HIGHWAY GAS PIPELINE.
TRANSCANADA S PARTICIPATION IN PROJECT HAD BEEN SPECIFIC
RECOMMENDATION OF NEB AND TRANSCANADA WAS TO HAVE HAD:
(A) TWENTY PERCENT INTEREST IN FOOTHILLS (YUKON); (B) RES-
PONSIBILITY FOR CONSTRUCTION AND OPERATION OF SASKATCHEWAN
SECTOR OF ALASKAN GAS PIPELINE; AND (C) MAJOR ROLE IN
PLANNING FOR DEMPSTER SPUR.

2. SENIOR TRANSCANADA OFFICIAL TOLD CONGEN THAT NEGOTIATIONS
HAD BROKEN DOWN WHEN FOOTHILLS INSISTED THAT TRANSCANADA
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CEASE EFFORTS TO EXPAND ITS MARKETS IN EASTERN CANADA UNTIL
SUCH TIME AS WESTERN LEG OF ALCAN PROJECT HAD BEEN COMPLETED.
ADDITIONAL STUMBLING BLOCK WAS FOOTHILLS DOLS 50 MILLION
PRICE TAG FOR TWENTY PERCENT TRANSCANADA EQUITY INTEREST.
(FOOTHILLS INVESTMENT TO DATE IN ALCAN PROJECT REPORTEDLY
AMOUNTS TO DOLS 30 MILLION).

3. COMMENT: TRANSCANADA'S APRIL 5 ANNOUNCEMENT OF PLANS TO EXPAND INTERPROVINCIAL PIPELINE TO TROIS RIVIERES (CALGARY 0191) AND FOOTHILLS DEMAND FOR DOLS 50 MILLION SUGGEST TO US THAT THERE WAS NO SERIOUS EFFORT BY EITHER SIDE TO CONCLUDE AN ALCAN PROJECT PARTICIPATION AGREEMENT. FOOTHILLS WILL NOW TAKE OVER TASK OF BUILDING SASKATCHEWAN PORTION OF THE ALASKAN GAS PIPELINE, AND ARRANGEMENTS WITH ALBERTA NATURAL GAS COMPANY FOR CONSTRUCTION OF BRITISH COLUMBIA SECTION OF ALCAN PROJECT REMAIN INTACT. FOOTHILLS EXECUTIVES HAVE PRIVATELY ALLEGED THAT TRANSCANADA HAS BEEN UNDERCUTTING THEIR EFFORTS TO OBTAIN BACKING OF EASTERN U.S. GAS COMPANIES. THEY STATE, HOWEVER, THAT THEY HAVE MADE ALTERNATE ARRANGEMENTS WITH OTHER U.S. SHIPPERS WHICH WILL PROVIDE NECESSARY FINANCING FOR ALCAN PROJECT. RATTRAY

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